

South Carolina Retirement SYSTEMS UPDATE

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Have questions?

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From the Director

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Retirement Law Changes

As many of you are aware, this has been a whirlwind session of the South Carolina General Assembly with regard to the South Carolina Retirement Systems.

Senate bill 618 (S.618) was ratified by the General Assembly June 6, 2005, and signed into law by Governor Mark Sanford June 10, 2005.

The legislative update article in this issue of *Systems Update* provides you with all of the details concerning S.618.

We have posted more detailed information on our Web site at <http://retirement.sc.gov>. I encourage you to take advantage of this resource.

The State Budget and Control Board approved a 3.4% COLA for eligible retirees and beneficiaries of SCRS and PORS, and eligible JSRS non-spousal beneficiaries effective July 1, 2005.

Significant Reforms Made to Retirement Statute

Governor Mark Sanford signed Senate Bill 618 (S.618) into law Friday, June 10, 2005. S.618 had been passed and ratified by the South Carolina General Assembly June 2, 2005, and June 6, 2005, respectively.

This article explains the changes made by S.618. A chart comparing the provisions of the former statute and the new law is on the reverse side of this newsletter.

Contribution Changes

S.618 changes both employee and employer contributions for SCRS. Effective July 1, 2005, SCRS members will contribute 6.25 percent of their gross pay into SCRS. The SCRS employee contribution increases to 6.5 percent of gross pay effective July 1, 2006. Prior to July 1, 2005, SCRS members contributed 6 percent of their gross pay into the system.

SCRS-covered employers will continue to contribute 7.55 percent until July 1, 2006, when their contribution rises to 8.05 percent. Effective July 1, 2007, SCRS-covered employers will contribute 8.55 percent.

Effective July 1, 2005, retired SCRS and Police Officers Retirement System (PORS) members who work for a covered employer will make active member contributions for the duration of their covered employment. This includes SCRS members who participate in the Teacher and Employee Retention Incentive (TERI) program.

Benefits Changes

Effective July 1, 2005, eligible retired SCRS members will receive an annual guaranteed cost-of-living adjustment (COLA) of up to 1 percent if the Consumer Price Index (CPI) as of the prior December 31st is at least 1 percent. S.618 also allows the State Budget and

Control Board to grant a COLA in excess of 1 percent if the unfunded liability amortization period for SCRS does not exceed 30 years.

At its June 14, 2005, meeting, the Board approved a 3.4 percent COLA for eligible retirees and beneficiaries of SCRS and PORS, and eligible JSRS non-spousal beneficiaries effective July 1, 2005.

As a result of S.618, effective July 1, 2005, retired contributing members of SCRS and PORS are eligible for an increased group life insurance benefit—a payment equal to their one-year's annual salary—in lieu of the retired member benefit of \$2,000, \$4,000, or \$6,000 normally available to other retirees.

S.618 also removes the \$50,000 service retiree earnings limitation for SCRS retirees who return to covered employment after a 15-day break in service.

The new law eliminates the unused annual leave payout at retirement for state retirees who begin TERI participation on or after July 1, 2005, and requires the recalculation of the TERI participant's average final compensation and annuity to include the payment made at termination for unused annual leave. In addition, a second payment for unused annual leave will no longer be made to state retirees rehired on or after July 1, 2005.

Any retired employee who works for a state agency on or after July 1, 2005, will be exempt from the State Employee Grievance Act. In addition, any state employee who becomes a TERI participant after June 6, 2005, will be exempt from the Grievance Act.

The last benefit-related change made by S.618 is the elimination of the Retirement Systems Medical Board. The

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Comparison of Former and Revised Statute	
Former Statute	Revised Statute
Contributions <ul style="list-style-type: none">Retired SCRS or PORS member (including TERI participants) does not pay active employee contributionCurrent SCRS employer contribution is 7.55%SCRS employee contribution is 6% Benefits <ul style="list-style-type: none">TERI participant’s AFC is calculated at retirement (onset of TERI period) and is not recalculated at end of TERI periodRequires 60-day break-in-service for SCRS retirees who return to covered employment (\$50K/year earnings limitation applies)COLA granted only if actuary determines system can afford and B&CB approvesMedical Board reviews SCDVR disability recommendationsRetired members do not contribute and are eligible for Group Life Insurance benefit of \$2,000, \$4,000, or \$6,000 Investments <ul style="list-style-type: none">No similar provisionEquity investment cap is 40%No similar provisionState Retirement Systems Investment Panel advises B&CB on equity investment portion of portfolio; State Treasurer manages fixed income investmentsNo similar provision Human Resource Issues <ul style="list-style-type: none">State TERI participants working for covered employer have grievance rightsNo similar provisionState TERI participant gets annual leave payout at retirement and at end of TERI periodNo similar provision	Contributions <ul style="list-style-type: none">Retired SCRS or PORS member (including TERI participants) working for a covered employer pays active employee contributionIncreases SCRS employer contribution by 1% over 2 years: 7/1/06 = 8.05%, 7/1/07 = 8.55%Increases SCRS employee contribution by .5% over 2 years: 7/1/05 = 6.25%, 7/1/06 = 6.5% Benefits <ul style="list-style-type: none">Requires AFC recalculation at end of TERI period to include unused leave paid at termination (new TERI participants after 6/30/05)Removes service earnings limitation for SCRS retirees with 15-day break-in-serviceGuarantees up to 1% COLA contingent upon CPI of at least 1% for SCRS and allows B&CB to grant a COLA in excess of 1% if UAAL amortization period does not exceed 30 yearsEliminates Medical BoardRetired contributing members of SCRS and PORS eligible for one-year salary Group Life Insurance benefit in lieu of retiree \$2,000, \$4,000 or \$6,000 Investments <ul style="list-style-type: none">Sets up six-member investment commission made up of financial experts, the State Treasurer and a nonvoting retired member, and moves fiduciary responsibility for investments to CommissionSets investment target allocation: Equity investments cannot exceed 70% of portfolioCreates the position of Chief Investment Officer with defined authority and annual investment plan adoptionRetains Investment Panel in advisory role to CIO regarding Annual Investment PlanCommission shall strive to assure that minorities and minority-owned business are represented Human Resource Issues <ul style="list-style-type: none">State employees who become TERI participants after June 6, 2005, serve without grievance rightsAny retired employee who works for a state agency on or after 7/1/05 serves without grievance rightsEliminates unused annual leave payout for state TERI participant at beginning of TERI (new TERI participants after 6/30/05)Eliminates second unused annual leave payout for rehired state retirees rehired on or after 7/1/05

For More Information Concerning S.618

The Retirement Systems has placed additional information on its Web site concerning S.618.

You may access this information by going to <http://www.retirement.sc.gov/news/default.htm>.

The Budget and Control Board’s Office of Human Resources has posted information on its Web site as well. You may access OHR’s S.618 information by going to <http://www.ohr.sc.gov/OHR/employee/OHR-employee-618faqs.phtm>.

Statute Changes

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Medical Board reviewed disability determinations made by the South Carolina Department of Vocational Rehabilitation. The disability appeals procedure has been streamlined as well.

Investments

S.618 sets up an investment commission made up of financial experts appointed by the five-member Budget and Control Board. The State Treasurer may also serve as a commissioner. A nonvoting retired member will be appointed by the investment commission members. Fiduciary responsibility for the Retirement Systems’ investments is moved to the new commission.

The new law also provides that the Systems’ equity investments cannot exceed 70 percent of the total portfolio. Prior to the enactment of S.618, the equity target allocation could not exceed 40 percent.

S.618 also allows the commission to hire a chief investment officer (CIO) who will have defined authority and will be responsible for the annual investment plan (AIP). The current State Retirement Systems Investment Panel is retained in advisory role to the CIO regarding the AIP.

For more detailed information about any of these changes, go to <http://www.sc-statehouse.net/html-pages/legpage.html> and click on *Bill, Act, or Rat Number*.

Systems Update
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